



MEMORANDUM

TO: Indiana School Superintendents

FROM: Dr. Tony Bennett, State Superintendent of Public Instruction

DATE: June 11, 2009

SUBJECT: Qualified School Construction Bonds (QSCB)

Under the American Recovery and Reinvestment Act of 2009, the federal Treasury has issued state 2009 allocation for a new kind of tax credit bond: the Qualified School Construction Bond (QSCB). QSCBs are a zero-interest financing mechanism supported through federal tax credits to the bond purchaser. Indiana's authorization for 2009 is \$177,861,000. Of this amount, \$77,861,000, will be designated for bonds up to \$2,000,000. The remaining \$100,000,000 will be designated for bonds over \$2,000,000 but no larger than \$10,000,000. The Department of Education reserves the right to adjust the allocation upon need.

Unlike Qualified Zone Academy Bonds (QZABs), QSCB eligibility involves no poverty tests or demographic stipulations. All school districts with school renovation, repair, or modernization projects may apply for a bond allocation. Consistent with the spirit of ARRA, allocations for QSCB financing will not be approved for refinancing other borrowing or for projects already completed or under construction. If the project is subject to the referendum or petition remonstrance process, voter approval, if requested, must be completed before the application is submitted to the Department of Education.

New construction and space additions, as well as any project receiving a QZAB allocation, will only be considered for QSCB allocations after all other qualified requests have been filled. If using the QSCB to purchase land, a building project plan must be submitted with the application. The first round of allocations will be awarded based upon complete and qualified applications received by **August 3, 2009**. A second round of allocations will be awarded based upon complete and qualifying applications received by **November 13, 2009**.

The process to apply: The school corporation submits an application package to the Department of Education, Office of School Finance. Staff in the Office of School Finance will determine the application meets the federal and state criteria. An award of allocation letter will then be sent to the school corporation. This ends the Department of Education's role.

School corporations must set up the bond financing independently. The terms of the QSCB (length of amortization and amount of tax credit) are set by the Treasury at date of issuance. The issuance of bonds by school corporations are still subject to provisions of Indiana law. The school corporation will need to utilize bond counsel for QSCBs just as they might any other type of bonding.

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Please remember, the state of Indiana is not responsible for issuing, purchasing, or guaranteeing the bonds in any way.

Application for Qualified School Construction Bonds (QSCB) allocation is attached. Questions should be directed to Peggy Smith at 1-866-234-1414 or via email to pesmith@doe.in.gov.